

Regional Aspects for the Environment of a US-Jordanian Free Trade Agreement

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I. Introduction

This brief analysis attempts to outline possible environmental impacts of a free trade agreement (FTA) between the United States and the Kingdom of Jordan which would have a regional scope or scale (i.e. impacting areas outside of the borders of Jordan itself). Unfortunately, due to tight time constraints and a lack of information concerning the precise details to be contained in a US-Jordanian free trade agreement, only a general approximation of likely impacts are presented herein, followed by recommendations for possible mitigation and compensation measures.

This analysis divides the potential regional environmental impacts into two types:

- Impacts on Jordanian economic activity which affect either shared resources (e.g. border regions, shared water sources, etc.) or mobile environmental media (e.g. air pollution).
- Impacts on the structure and/or quantity of regional trade itself, which could affect the regional environment through changes in transportation patterns, additional construction of roads, cargo facilities, etc., or changes in industrial activity and/or consumption patterns within the territory of Jordan's neighbors.

The scope of this analysis is limited to Jordan and the countries with which it shares a common border: Iraq, Israel, the Palestinian Authority, Saudi Arabia, and Syria. Other regional trade partners, such as Egypt, with which Jordan has relatively active economic relations are not considered here.

II. Impacts in Jordan with Transboundary Repercussions

IIA. Border Activity

A US-Jordanian FTA would make obsolete the current Qualified Industrial Zones (QIZs), such as the highly criticized Jordan Gateway QIZ planned to be constructed along the Jordanian-Israeli border. As such, theoretically an FTA could reduce pressure on this border, both from construction as well as from transportation. Experience of other free trade agreements which had promised reduced border pressures, notably NAFTA, however, shows that instead of reducing pressure on borders, economic activity in these areas has in fact increased, and FTAs

have simply led to overall increases in economic activity and environmental burdens. Such is likely to be the case with a Jordanian FTA, as 1) Israeli investment is still likely to continue to be channeled into Jordan to take advantage of lower labor costs (roughly 1/10th that of Israeli labor for manufacturing (1994)), and 2) the lack of a Mediterranean port for Jordan, and thus, the potential advantage of using Israeli and/or Palestinian ports. Such cooperation, of course, depends on such factors as details regarding rules of origin in the FTA, as well as on the state of Israeli-Jordanian-Palestinian trade, which currently suffers from serious non-tariff barriers, primarily those related to entering goods into Israel. Currently there is little or no legal requirements for environmental impact assessment of industrial activities in Jordan, as the necessary by-laws have never been ratified.

Regarding other Jordanian borders, there is a possibility that with a US-Jordanian FTA, Jordan could become a regional trade hub, especially as concerns Syria and Iraq. Indeed, such a scenario is hoped for by Jordanian officials. While the impact of a US-Jordanian agreement itself would probably be insufficient to bring about such a result in and of itself, together with Jordan's recent accession to the World Trade Organisation (WTO), its recent initialing of an association agreement with the European Union, other internal economic reforms, and a renewed initiative to build economic ties with its neighbors, such a scenario needs to be considered. Jordan has recently begun to strengthen economic relations with Syria, including establishing joint industrial free trade zones. In terms of the environmental impact, increased economic activity along borders means increased emissions into air and water sources, as well as impacts on open spaces and the natural habitats.

IIB. Impact on Transboundary Environmental Media

The overall effect of an FTA on the structure of Jordanian industry is well beyond the scope of this analysis, however, such an issue needs to be addressed herein, at least minimally, as it may have regional, as well as local environmental impacts. While the amount of US-Jordanian trade is considered relatively modest, the US already represents roughly 10% of Jordan's total trade, and is thus an important factor in the Kingdom's economy. Moreover, many of the sectors listed as being among the best prospects for US trade and investment in Jordan are considered highly polluting, e.g. vehicles, aircraft, machinery, metals, and minerals. At least a modest increase in trade can be assumed to follow from an FTA. The amount of US foreign capital in Jordan increased substantially in 1998, for instance, possibly as a result of the initialing of a bilateral investment agreement in 1997. Given these facts, it is advisable to take a precautionary approach to the potential effect of a trade agreement.

In terms of technologies used, drastic changes are unlikely, as Jordan already had limited customs duties on capital equipment for industry. Likely impacts include a rise in air pollution resulting from increased transportation, as vehicles become cheaper, and from increased incineration of waste, as general levels of consumption of consumable goods increase. Activities such as these, especially increased air traffic, and transport pollution in the Jordan Valley could

have a regional scope. In addition, increased marine transport through the Aqaba port is likely to have a negative impact on the fragile marine eco-system of the northern Red Sea, home to the world's northern-most coral reefs, as well as threatened populations of sea turtles, dolphins and other sea life. Finally, changes in consumption habits, either in Jordan or its neighbors, resulting from cheaper durable goods such as household appliances, may also lead to minor increases in water and electricity consumption. (It should be noted, however, that although increases may be small in absolute terms, given the current stress on water, any additional burdens on supplies may be significant.)

III Impacts on Regional Trade

A US-Jordanian FTA will most likely lead to increases in regional trade, as mentioned above. By definition, this means increased transportation, and thus air pollution. In addition to the increase in air pollution, there is a question of the transport of potentially hazardous materials, as well as an increased risk in transport accidents. Such impacts are by no means limited to border areas.

The increased transportation may also mean a need for increased road construction, meaning additional burdens on open areas. According to independent economic analyses undertaken elsewhere, road systems serving Iraqi Saudi and Syrian trade are currently adequate and will not need expansion in the near future. The area then, which may witness additional road construction is the Jordan Valley. Already, as a result of the planned establishment of the Jordan Gateway QIZ, an additional private bridge and road network works are planned.

There is always a danger that an FTA between an industrial country such as the US and a developing country, such as Jordan, could lead to the latter becoming a dumping ground for obsolete technologies from the former. This worry is magnified should Jordan indeed become a hub for regional trade (at least with Syria and Iraq), in which case, the FTA could facilitate the spread of old technologies throughout the region. Specific clauses within an FTA and/or a reformulated US-Jordanian investment agreement should be drafted to preclude such a scenario.

IV Recommendations

In an effort to mitigate some of the potential risks to the environment of the proposed US-Jordanian FTA, as well as compensate for inevitable environmental impacts, the following measures are recommended:

- Continued study of the environmental impacts of Jordanian-US economic relations would be necessary for a more accurate estimation of impacts. There will always remain an amount of uncertainty, however, and so it is recommended to establish a

system to monitor and report levels, content, and environmental impacts of both US-Jordanian trade as well as trade between Jordan and its neighbors. In addition, any FTA should include specific language mandating periodic review of environmental impacts of the FTA, and allowing for alteration of the agreement, should negative correlations be found. Such a clause within the bilateral investment agreement could also be formulated.

- In order that the FTA not lead to a lowering of environmental standards, specific clauses should be drafted which specify that the FTA should not be seen as limiting either country's right to initiate or maintain regulation for purposes of protection of the environment, health or safety (such a clause could be extended to explicitly recognize a protected status for multilateral environmental agreements as well). Explicit mention of respect for the "Precautionary Principle" should also be made.
- In addition, in order to promote environmentally desirable trade, specific clauses within the FTA should allow for preferential treatment of specific types of goods (environmentally certified, organic agricultural production, etc.). A bilateral or regional working group can work out criteria for which goods or production methods would be included.
- To avoid a technology dumping ground situation in the region, the US-Jordanian investment agreement and the FTA should specifically oblige major US trade and investment in Jordan to utilize best-available technologies. Criteria for deciding what types of trade and investment would be subject to this requirement, as well as what constitutes BAT could be decided by a joint US-Jordanian economic forum, to which governmental, private sector and environmental specialists should be party.
- Given the regional impacts, a regional forum to list and review trade in hazardous goods, including domestically prohibited goods could be convened. This forum would be responsible for a system of prior-consent on trade in all such goods. In addition, goods prohibited in one of the two countries should be specifically prohibited under the US-Jordanian FTA. All such information on trade in hazardous goods, including quantities, sources, and trade routes should be made available to the public at request.
- Environmental impact assessments (EIAs) should be mandatory for all major investment and trade between the US and Jordan. As Jordan's current legal and regulatory system is insufficient to monitor follow up of EIAs, specific capacity building efforts in these spheres would be in order.
- Specific capacity building measures could help compensate for some of the adverse effects of an FTA. Experience from Jordan's participation in the Euro-Med Partnership shows that, due to its high foreign debt ratio (currently on par with its annual GNP even

after recent rescheduling), Jordan is unwilling to take on additional financial repayment burdens, even if offered at better than commercial rates. Thus, most capacity development would have to be supported by targeted grants or other types of direct aid.

- Two possible forums exist for addressing regional environmental impacts: 1) the regional environmental working group within the multilateral peace negotiations, or 2) the "Regional Environmental Hub" within the US Embassy in Jordan. An expanded role for either could be appropriate for addressing cooperation on regional issues resulting from trade development, however, the latter benefits from not being tied to the vacillations of the peace negotiations and larger political issues. Specific areas which could be developed include:
 - Agreement on common rules for conducting EIAs for economic activities with transboundary impacts and/or along border areas;
 - Review of environmentally detrimental trade or trade support (e.g. specific subsidies, NTBs, etc.);
 - Support for specific infrastructure projects;
 - Support for regional cooperation on environmentally desirable trade, e.g. organic agriculture, certified goods, etc.;
 - Support for access to environmental technologies/certification for small and medium sized enterprises in Jordan, which constitute over 90% of all businesses, and are largely unable to afford initial outlays for such technologies. This could be done on either a national or regional basis, with Jordan as the regional hub.
 - Development of public mechanisms to enable citizens to notify of and even seek redress for environmental damage, including that resulting from actions occurring in neighboring countries.